Pricing Guide.

Should we adjust our fees?

Three methods to determine if you should adjust your fees.

Method 1: Firm profitability: Use your income statement and profitability metrics

1. Calculate your profit margin:

Revenue	$1,000,000	100%
– Direct expenses Professional compensation including owner comp	$400,000	40%
= Gross profit	**$600,000**	**60%**
– Overhead expenses Operational staff compensation and everything else	$350,000	35%
= Operating profit	**$250,000**	**25%**

2. Define your ideal operating profit margin (25%-35% is a good target based on benchmark data)
3. Work backwards to determine how much additional revenue you need to generate to inform how much you need to increase your fees. How much revenue do you need to generate to get to a 25%-35% operating profit?

Method 2: Client profitability and breakeven

1. Work with your SEI Business Development Representative for a personalized Profitability and Pricing Calculator, which includes revenue per client and a breakeven analysis
2. Identify which clients are not or low-profitable as potential targets to increase fees

Method 3: Set pricing based on services and value delivered for fee-for-service

1. Define your service offering(s) and prices (retainer, subscription, etc.)
2. Determine how much time it takes to deliver your defined offering
3. Determine a fair hourly rate for your time and expertise (i.e. value delivered). Note: $300/hour is typical of a senior advisor.
4. (Time to deliver service) x (hourly rate) = fee-for-service fee

According to the 2024 Inside Information Fee Survey, 82% of firms do not track internal costs to service or onboard clients to inform pricing.

When to consider raising your fees

1. You are undercharging clients versus your stated fee schedule
2. You are undercharging some or all clients versus benchmark pricing data, see section above outlining pricing trends.
3. You are not profitable as a firm or with specific clients based on method 1 or 2 above.
4. You are providing more or specialized value beyond what your current fee covers

Services included in AUM vs. additional fee

Charge additional fees for services (participants could select multiple answers)	Included in standard fee(s)	Charge additional fee(s)	Do not offer
Investment management	94%	9%	1%
Retirement planning	93%	10%	2%
Education/college planning	88%	11%	6%
Charitable giving planning	86%	12%	6%
Cash-flow planning	82%	14%	10%
Comprehensive financial plan development	82%	20%	5%
Major purchase consulting	80%	12%	14%
Income tax planning	77%	13%	16%
Estate planning	73%	16%	16%
Life, health, disability and/or long-term care insurance planning	62%	23%	19%
Employee benefits planning	56%	14%	33%
Property and casualty insurance planning	44%	10%	49%
Business owner services (e.g., valuation, retirement, sale of business, succession, etc.)	31%	24%	47%
Lending (e.g. mortgages, HELOC's, business loans)	18%	1%	81%
Trust services	16%	16%	71%
Income tax preparation	10%	14%	80%

Source: InvestmentNews 2023 Advisor Pricing, Profitability, and Compensation study this is that advisors report providing as part of their standard AUM fee.

How much are advisory firms charging?

Client AUM levels:	Advisory fee percentage on assets	
	Average	Median
$100,000	1.0%	1.0%
$250,000	1.1%	1.0%
$500,000	1.0%	1.0%
$1,000,000	0.9%	1.0%
$2,000,000	0.8%	0.9%
$5,000,000	0.7%	0.7%
$10,000,000	0.6%	0.5%
$25,000,000	0.5%	0.4%

Source: 2023 InvestmentNews Advisor Benchmark: Pricing, Profitability, and Compensation Study. Note: The median fees are aligned with the 2020 Inside Information Fee Survey. According to Cerulli Associates, 2022, the average AUM-based fees by client size are largely inline as well.

How are advisory firms charging?

Compensation type 2022 vs. 2024E

Compensation Type	Channel												All Advisors	
	Wirehouse		National and Regional B/D		IBD		Independent RIA		Hybrid RIA		Insurance B/D			
	Current	2024E	Current	2024E	Current	2024E	Current	2024E	Current	2024E	Current	2024E	Current	2024E
Asset-based fees	81%	87%	67%	70%	65%	68%	85%	82%	78%	80%	48%	58%	71%	75%
Commissions	18%	13%	27%	21%	30%	25%	4%	4%	16%	12%	46%	31%	24%	18%
Fees for financial plans	0%	0%	3%	5%	2%	4%	3%	3%	2%	2%	4%	7%	2%	3%
Annual or retainer fees	0%	0%	1%	1%	0%	1%	5%	6%	3%	4%	1%	1%	1%	2%
Other	0%	0%	1%	1%	1%	1%	1%	1%	1%	1%	1%	0%	1%	1%
Monthly or ongoing subscription fees	0%	0%	1%	2%	0%	1%	1%	2%	0%	1%	1%	2%	0%	1%
Hourly fees	0%	0%	0%	1%	1%	1%	1%	2%	0%	1%	0%	0%	0%	1%

Source: Cerulli Associates. Analyst note: Data excludes senior advisors or principals/owners who receive a salary. Expected revenue in 2024 may not add up to 100% because of advisors who anticipate a minor increase to salary-based compensation.

Non-AUM fee trends according to Cerulli Associates

Percent of Advisors Charging Fees	Channel						All Advisors
	Wirehouse	National and Regional B/D	IBD	Independent RIA	Hybrid RIA	Insurance B/D	
Fee for financial plans	16%	30%	32%	39%	30%	36%	27%
Annual or retainer fees	11%	9%	8%	16%	15%	6%	11%
Hourly fees	5%	1%	11%	15%	8%	4%	8%
Monthly ongoing subscription fees	9%	6%	4%	11%	2%	7%	6%

Source: Cerulli Associates, 2022. Analyst note: Data represents advisors who generate a portion of their revenue from the stated fee type.

Non-AUM fee trends according to Veres' 2024 Insider Fee Study

- 74% of firms developed alternatives to AUM fees as a way to profitably serve less-wealthy clients.
- 35% of firms developed alternatives to AUM fees because their wealthiest clients prefer a flat monthly or quarterly fee structure.
- 55% of advisors don't charge an initial planning fee. For the 45% who do charge an initial planning fee the median fee is $2,750. 67% of those who charge planning fees say they raise or lower rates based on complexity. More than half of firms who charge planning fees do not offset those fees for clients who decide to have the firm manage their assets.
- Median hourly rate for lead planner is $400/hour
- Median hourly rate for associate planner is $200/hour

Pricing model models:

AUM fees
Flat monthly/quarterly retainers
Hourly
Subscription (monthly) fees
Combination of above
Commissions

Source: 2024 Inside Information Fee Survey (n=941, 72% fee-only RIA, 25% dually registered, 2% wirehouse/brokerage)

According to the 2023 InvestmentNews Advisor Benchmark Study…

- 44% do have a minimum fee, 56% do not. If yes, the median minimum fee is $5,000.
- 42% of firms reported a client asset minimum, 58% reported no minimum. If yes, the average client asset minimum is $500,000.
- 86% of respondents didn't change their fees in the past two years (2021-2022). 14% of respondents changed their fees. Of those who changed their fees, 80%, raised their fees and 20% lowered their fees.

How to communicate with clients that you're raising fees

1. Lay a strong foundation by setting clear expectations and delivering value

These best practices are based off of the assumption that your clients value you through the services you offer, the quality of your relationship and advice, and their experience. If there are issues in any of these areas than the conversation may be challenging.

- **Set expectations,** when you don't set expectations, everything you do is expected. Clearly state your services and offering to prospects and clients on your website, at the initial meeting, and in ongoing meetings.
- **Deliver (and reinforce) the right things.** Do what you say you are going to do and show evidence that you've done it on an ongoing basis. What you communicate becomes what is important. For example, if you focus on communicating and discussing investment performance and the markets than clients will view their investment performance as important. Timing matters when raising fees, especially if you've trained your clients to focus on their investment performance. How have your clients' investments performed over the past 6-months, year, three, five, and ten years? If they recently experienced underperformance it may not be the best time to raise their fees. If their personal goals and progress towards their goals is what matters than focus on that in your communications and interactions. If you aren't sure if your clients value you and your services the number of referrals (or lack of referrals) you receive from clients can be a helpful hint what they think about you. A strong flow of client referrals would be 7-10 referrals for every 100 clients. You can also ask them via a survey or in conversation.

2. Prepare for the conversation

- Create a key talking points document for reference including your fee schedule, why you are increasing fees, and questions you expect with drafted answers
- Practice your messaging and Q&A responses with someone
- Before your formally make the announcement, test it out on a few trusted clients for feedback
- Formally start with low-risk or "easier" clients
- Have a plan how you will reach everyone in a timely manner

3. Be direct, honest, and confident in your communications -- transparency is matters

- You can simply say, "We are raising our fees, your current fee is [x%], your new fee is [x%]."
- Ideally, talk directly to everyone impacted. Sending a broad communications via email or mail is fine but it should ideally be quickly followed up by a personal outreach and/or conversation. If you announce broadly consider waiting to raise individuals' fees until you've talked to them or confirmed they are fine with the change, no one likes surprises
- Be confident in what you say and how you say it (body language, tone of voice, eye contact, etc.)

4. Provide an explanation of why but avoid going into the weeds

- For example, "We are committed to providing you and all of [Firm Name's] clients with investment management, financial planning services but also the time and attention you and your situations deserve. In order to maintain the capacity to do all of that and continue to grow with you we are raising our fees."
- If you're underpriced you may need to provide some basic education on how and what advisors provide versus charge to help them understand the landscape. However, simply raising your fees because that's what your competition charges isn't a great argument for a client to get behind. Ideally, tie your fees to your service, experience, and value delivered.
- We are investing in… our talent, our expertise, expanding our services, improving our client experience and technology, etc.
- If you have a clear vision and mission, and it aligns to why you're raising your fees share that.

5. **Highlight what's in it for them (if there's anything tangible they can expect)**

6. **Create space for feedback and questions, and provide alternative options if your fees are an issue.**

- "Do you have any questions? If you have any later, don't hesitate to reach out to me."
- Listen to their reaction -- what they say, what their body language says, and what they don't say.
- Have a list of lower-fee options available if increases fees are an issue.
- Don't take pushback personally. If they don't agree on your value than it's likely not a good fit anyway.

SEI automated fee billing options

Automated AUM fees

a. Charged in arrears (default) or advance (if requested), based on bps or tiered schedule
b. Quarterly (default) or monthly (if requested) frequencies available
c. Fees calculated using month/quarter-end values (default) or average daily balance (if requested)
d. Firm investment management fees

Automated flat retainer fees

a. Fee is not dynamic (unchanging with AUM growth or otherwise)
b. Recurring only, not for one-time payments

Account invoicing, specified fee amounts

a. One-time payments only
b. Not automated

Prorated amounts for outgoing assets

a. For account closings or distributions
b. Must be specified if for a non-closing distribution
c. One-time withdrawals only

Please note: Restrictions may apply.

SEI Integrated and Strategic Partnerships

- Pontera (integration coming soon)
- Envestnet_MoneyGuidePro
- RightCapital's RightPay